

Message Text

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16

ACTION EB-11

INFO OCT-01 ARA-11 EA-11 ADP-00 CIAE-00 DODE-00 PM-09 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 COME-00 CIEP-02 TRSE-00 INT-08 OMB-01 GSA-01

OEP-01 RSR-01 AGR-20 /134 W
----- 036446

R 260915 Z APR 73

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 4133

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY LA PAZ

AMEMBASSY SINGAPORE

C O N F I D E N T I A L KUALA LUMPUR 1780

E. O. 11652: ADS, DECLAS 12-31-74

TAGS: EGEN, EMIN, BBAK, EDIDTN, EIND

SUBJECT: STOCKPILE DISPOSALS

REF: A(A) STATE 70365; (B) 70522

SUMMARY: OUR SOUNDINGS UPPER LEVEL OFFICIALS INDICATE GOM
TAKING COOL BUT CONCERNED VIEW OF US DISPOSAL PROPOSALS AND CARE-
FULLY WEIGHING GOM' S RESPONSE AND ITS TIMING. END SUMMARY

1. GENERAL TONE OF REACTION SET BY PRIME MINISTER DURING
CABINET MEETING ON DISPOSAL ISSUE APRIL 24. PM DISPELLED
ALARMIST VIEWS EXPRESSED BY SOME MINISTERS, SAYING THAT US
DECISION TO SELL OFF STOCKPILES WAS LEGITIMATE ENOUGH IN ITS
OWN INTERESTS AND US REASSURANCES TO AVOID DISRUPTION OF
MARKETS SHOULD BE TAKEN AT FACE VALUE. PM ALSO REPORTED TO
HAVE TOLD CABINET THAT IT WAS POINTLESS TO CONTEND THAT
MALAYSIAN ECONOMY WOULD BE SHAKEN BY US DISPOSALS AS (A) IT
NOT TRUE AND (B) AMERICANS KNOW IT NOT TRUE AND WOULD BE
UNAFFECTED BY SUCH PLEAS.

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WM CABINET MEETING RAISED NUMEROUS QUESTIONS ABOUT SPECIFICS OF DISPOSAL PROGRAM WHICH AMBASSADOR KHIR JOHARI IS BEING REQUESTED TO ANSWER. QUESTIONS MAINLY CONCERNED US INTENTIONS REGARDING DISPOSAL RATES AND POLICIES AFTER REPEAT AFTER NEW AUTHORIZATIONS APPROVED BY CONGRESS.

3. PRINCIPAL MALAYSIAN CONCERN IS OVER TIN BECAUSE OF LARGE US SURPLUS RELATIVE TO ANNUAL MARKET DEMAND. THEY ESPECIALLY BOTHER BY COMMENT QUOTED IN LOCAL PRESS FROM WASHINGTON OFFICIAL IMPLYING FULL DISPOSAL OVER FIVE YEAR PERIOD. CURRENT HIGH PRICE IS IMPORTANT FACTOR IN LIMITING THEIR WORRY ABOUT RUBBER.

4. REGARDING DISPOSAL RATES (REFTELS) GOM APPEARS REGARD ACCELERATED RATES PROPOSED FOR RUBBER FOR FY 73 AND 74 AS REASONABLE WITH QUALIFICATION NOTED BELOW. RATE OF TIN DISPOSALS PROPOSED, HOWEVER, POSES DIFFICULTIES FOR THEM. EVEN WITH SIGNIFICANT INCREASE IN BUFFER STOCK PURCHASING, NEW PRODUCTION CONTROLS ON ITC MEMBERS WOULD BE REQUIRED, NECESSITATING DIFFICULT ADJUSTMENTS FOR MALAYSIAN TIN INDUSTRY. MALAYSIANS EQUALLY WORRIED ABOUT IMPACT PRODUCTION CONTROLS WOULD HAVE ON FUTURE OF TIN AGREEMENT AND FEEL THAT STRINGENT PRODUCTION CONTROLS POSSIBLY WOULD ENDANGER CONTINUATION OF THE AGREEMENT. THEY WOULD BE MUCH MORE ALARMED, OF COURSE, IF DISPOSAL RATES SIGNIFICANTLY INCREASED IN LATER YEARS. FOR BOTH TIN AND RUBBER THE MALAYSIANS CONTINUE TO SEEK PRICING SAFEGUARDS WHICH WOULD PROVIDE FOR CUT OFF OF DISPOSALS IN THE EVENT MARKET CONDITIONS CHANGE SIGNIFICANTLY.

5. ALL GOM OFFICIALS WE HAVE TALKED TO HAVE SHOWN KEEN INTEREST IN OUR LEGISLATIVE PROCESS. THEY ARE CONSIDERING SEEKING AMENDMENT IN LEGISLATION REDUCING DISPOSAL AUTHORIZATION FOR TIN FROM 191,000 TONS TO SOMEWHAT LOWER FIGURE WHICH WOULD BE DONE THROUGH CONTACTS IN CONGRESS AS WELL AS APPROACHES IN EXECUTIVE BRANCH.

6. WE UNDERSTAND BUT HAVE NO DEFINITE CONFIRMATION THAT TAIB MAHMUD, MINISTER OF PRIMARY INDUSTRIES, WILL BE VISITING WASHINGTON IN A FEW WEEKS WITH INTENTION OF PUTTING MALAYSIAN CASE BEFORE USG OFFICIALS CONCERNED.

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